

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Dunn Analyst: Gloria McConnell Bill Number: SB 415

Related Bills: See Prior Analysis Telephone: 845-4336 Amended Date: 05/07/01

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: FTB Provide Free Electronic Filing & Interactive Forms/Tax Information Disclosure for Business Transactions

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ PREVIOUS ANALYSIS OF BILL AS AMENDED MARCH 27, 2001, STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY

This bill would require Franchise Tax Board (FTB) to provide individuals, free of charge, tax return forms that could be filed electronically directly with FTB.

This bill also would make amendments to existing laws relating to the disclosure of a consumer's income tax return information by third parties. This provision does not directly affect the FTB, and therefore, is not addressed in this or the prior analysis.

SUMMARY OF AMENDMENTS

These amendments clarify that FTB would provide electronic tax return forms and filing through the Internet. Additionally, the amendments would clarify that the bill would not apply to electronic products or services that would determine individual tax liability or otherwise perform tax preparation functions.

Because these amendments merely add clarity, FTB's analysis of the bill as amended March 27, 2001, still applies. However, staff has had an opportunity to refine the department's costs and savings that would be associated with this bill. The estimate of the costs and savings is provided below.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

06/20/01

OTHER STATES' INFORMATION

Staff has verified that at least 16 states¹ offer direct Internet electronic filing, apparently using fillable forms. The Internet electronic filing process in these 16 states includes calculating the tax liability for the taxpayer. In addition, the process in eight² of the states assists the taxpayer in completing the tax return by providing various questions and answers.

FISCAL IMPACT

Departmental Costs

Staff estimates that to implement this bill would result in a net savings of \$158,000 in departmental costs over the next three years, as follows:

Fiscal year	2001-02	2002-03	2003-04
Costs	\$350,000	\$00,000	\$84,000
Savings	220,000	310,000	465,000
Net Costs/(Savings)	\$130,000	\$ 90,000	(\$ 381,000)

This departmental costing assumes:

- For tax year 2001, and thereafter, FTB would make Form 540 2EZ available for electronic filing.
- For tax year 2002, and thereafter, FTB staff anticipates the Form 540A would be available for electronic filing.
- In 2002, approximately 4.3 million taxpayers could electronically access and file the Form 540 2EZ, and approximately 2.3 million taxpayers could do the same for the Form 540A in 2003. However, the departmental costs are attributable to only those taxpayers who, except for this bill, would have filed paper tax returns through the mail, which is estimated to be 200,000 taxpayers in 2002 and 100,000 taxpayers in 2003.

LEGISLATIVE STAFF CONTACT

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¹ Arkansas, Colorado, Delaware, Iowa, Illinois, Indiana, Louisiana, Maine, Maryland, Massachusetts, Missouri, New Mexico, Pennsylvania, South Carolina, Vermont, and Virginia.

² Illinois, Louisiana, Maine, Maryland, Massachusetts, Missouri, Pennsylvania, and Vermont.